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Auditor General DePasquale: Lincoln Learning Solutions' \$81.8 Million Reserve Points to Further Need for Charter School Law Reforms

Nonprofit management company spent \$622,549 in 4 years to lobby legislators in PA, other states

HARRISBURG – Auditor General Eugene DePasquale today again called on the General Assembly to reform Pennsylvania's charter school law after revealing that Lincoln Learning Solutions Inc., a charter school management company, was holding a nearly \$82 million financial reserve as of June 30, 2018.

The Beaver County-based firm, which is registered as a nonprofit, appears to be almost entirely funded by public sources but its books cannot be reviewed by the state.

"At a time when school districts are facing enormous revenue shortfalls, taxpayers deserve to know exactly where their money is going," DePasquale said. "The General Assembly should revisit Pennsylvania's charter school law – which I believe is the worst in the nation – to make sure our limited education funding is not being diverted to benefit private companies."

Lincoln Learning Solutions Inc. (LLS) manages Pennsylvania Cyber Charter School (PA Cyber CS) and Lincoln Park Performing Arts Charter School (Lincoln Park PACS), which receive millions of school tax dollars every year for their roughly 11,000 enrolled students. Lincoln Park PACS also received a federal Paycheck Protection Program loan, funding that was not made available to public school districts.

Because of how closely associated LLS is with the charter schools, as well as the convoluted nature of LLS' businesses and related entities, determining exactly how much money LLS receives from the schools it manages is nearly impossible.

[DePasquale's 2016 audit](#) of PA Cyber CS and Lincoln Park PACS found a myriad of problems, including that the schools did not properly ensure that Lincoln Learning Solutions met agreed-upon deadlines for delivering curriculum.

"It was clear that Lincoln Learning Solutions was operating without boundaries or accountability to the officials from either charter schools or to the taxpayers who were footing the bill," DePasquale said. "As a result, we really have no idea what was provided by the management company in return for the public education money it received."

In 2019, DePasquale requested financial statements from LLS to determine how the nonprofit spent the taxpayer money it received. Under the state's two-decade-old charter school law, neither the Department of the Auditor General nor the state Department of Education can perform a full review of the company's books.

After receiving a variety of documents from LLS, DePasquale initiated a review of LLS' public Form 990 tax filings for July 1, 2014, through June 30, 2018. That review raises new concerns given that the company receives taxpayer money that cannot be fully tracked.

DePasquale noted from the filings that key Lincoln Learning Solutions executives received sizeable pay increases in recent years.

For example, board president and CEO Robert Clements earned \$186,100 in FY 2014-15; just three years later, in FY 2017-18, he earned \$279,652 – reflecting a 50 percent raise. Earning an even larger raise was then-Chief Financial Officer James Livingstone, whose salary jumped 148 percent, from \$88,033 in FY 2014-15 to \$218,505 in FY 2017-18.

LLS also reported spending \$622,549 on lobbying during the four-year review period. According to the Internal Revenue Service filing, LLS used that money to “influence the legislatures to give funding and grants to digital schools.”

As the filing states, LLS used the money to lobby not just the Pennsylvania General Assembly but also “other state legislatures to inform them of the services Lincoln Learning Solutions can provide to their state’s digital schools.”

“Pennsylvania taxpayers have a right to know if Lincoln Learning Solutions is using our tax dollars intended to educate our students to instead promote and market its services to officials in other states,” DePasquale said. “If so, this practice needs to be stopped immediately.”

A comparison of Pennsylvania’s other nonprofit charter management companies’ IRS 990 filings shows that none reported spending any money on lobbying and that none had a fund balance even close to LLS’ \$81.8 million. (See chart below, in editor’s note).

“Now more than ever, it is absolutely imperative that the charter school law be updated to allow for greater transparency about where our tax dollars are going,” DePasquale added. “As recipients of public funds, charter school management organizations should operate under the same level of accountability that we expect of our school districts.”

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EDITOR’S NOTE: This chart shows fund balances and lobbying expenditures reported on IRS Form 990 tax filings by nonprofit charter management companies operating in Pennsylvania:

Charter Management Organization	FY 2014-15		FY 2015-16		FY 2016-17		FY 2017-18	
	Balance	Lobbying	Balance	Lobbying	Balance	Lobbying	Balance	Lobbying
American Paradigm Schools	\$1,492,136	\$0	\$1,570,709	\$0	\$2,160,542	\$0	\$2,800,851	\$0
ASPIRA Inc. of PA	-\$1,938,016	\$0	-\$4,785,881	\$0	-\$3,200,030	\$0	-\$5,193,655	\$0
Build The Future Education Collaborative	\$19,013	\$0	\$126,130	\$0	\$264,206	\$0	\$389,572	\$0
Edsys Inc.	\$5,345,053	\$0	\$5,259,987	\$0	\$5,517,540	\$0	\$4,642,993	\$0
KIPP Philadelphia Public Schools	\$56,894	\$0	\$2,936,826	\$0	\$3,909,862	\$0	-\$13,661,906	\$0

Mastery Charter High School	-\$21,052,908	\$0	-\$20,885,207	\$0	-\$18,773,853	\$0	-\$16,741,126	\$0
Nueva Esperanza Inc.	\$11,183,624	\$0	\$7,409,003	\$0	\$7,581,233	\$0	\$8,086,429	\$0
String Theory Schools	\$988,914	\$0	\$1,214,809	\$0	\$1,681,671	\$0	\$2,149,337	\$0
Universal Education Companies Inc.	\$313,136	\$0	-\$1,336,738	\$0	-\$1,045,059	\$0	\$8,820	\$0
Lincoln Learning Solutions	\$62,628,329	\$218,828	\$72,079,294	\$181,321	\$78,707,719	\$110,926	\$81,768,640	\$111,474